



Rocky Mountain Appraisals Midyear Report

Market Update – Data Through Midyear 2013

Prices Rebound During First Half of 2013- Sales Volume Up Over Nearly 50%

Observing data for mid-year 2013, an increase in the number of transactions of nearly 50% was noted in comparison to 2012 data from this time period. This gain came in combination with an average price measure that remained essentially level. The result of these indications was an increase in dollar volume of sales of over 40%. Closer observation of the underlying data indicates that appearance of level (or slightly decreasing) values is the result of a marked increase in the number of sales in the more moderately-priced segments of the market (which diluted aggregate numbers giving the appearance of a level price trend). This observation is further corroborated by the comparison of sales and re-sales of similar properties, which show that prices experienced upward pressure during the first half of this year. This price rebound is likely the result of several market forces. However, the predominant forces which are contributory to this trend are hypothesized to be a market fear that favorable financing terms will not exist forever, a pushback to overcorrected price levels. Additionally, it has been noted that available inventory of homes and vacant land has been steadily contracting over the past three years, with active inventory as of the end of May being down 18.32% compared to the same time last year.

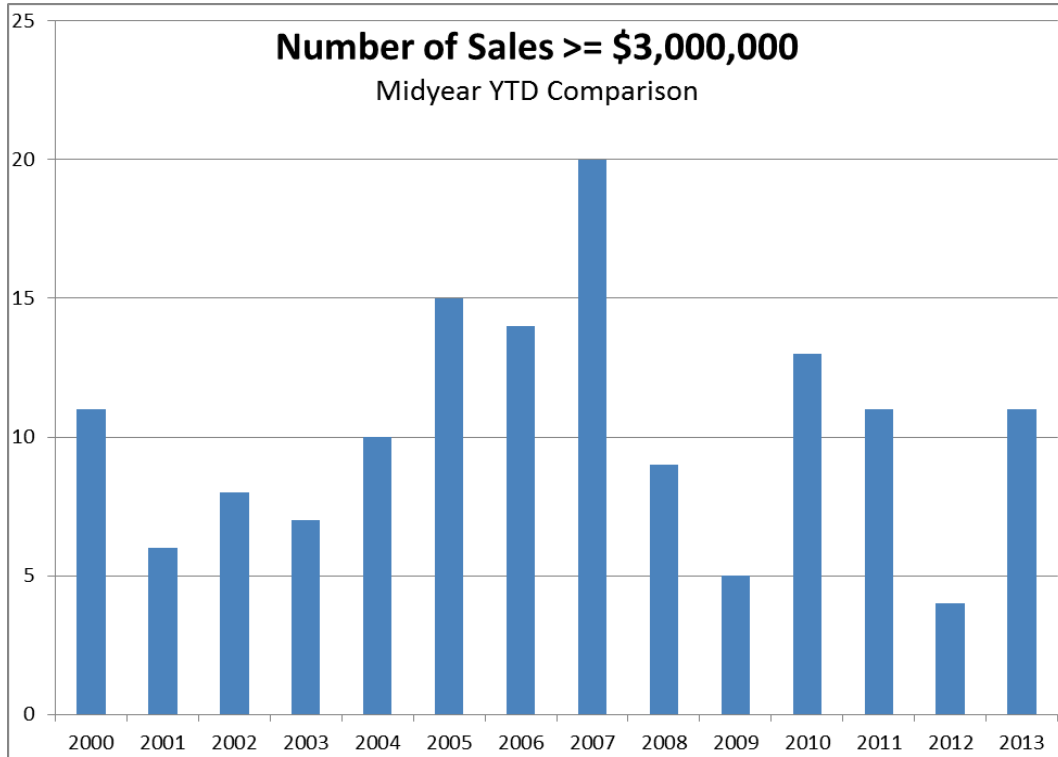
Both the Resort and Local market have benefited from the above-described upward pressures. The higher-end Resort Market showed positive trending, with the number of single-family homes with sales prices above \$3,000,000 showing the second highest dollar volume of sales since the record year of 2007. However, the most dramatic upward pressure was noted in the more moderately-priced Local Market, where sales volume increased by a margin of over 68% from last year.

Combined Sales Data – All Property Types

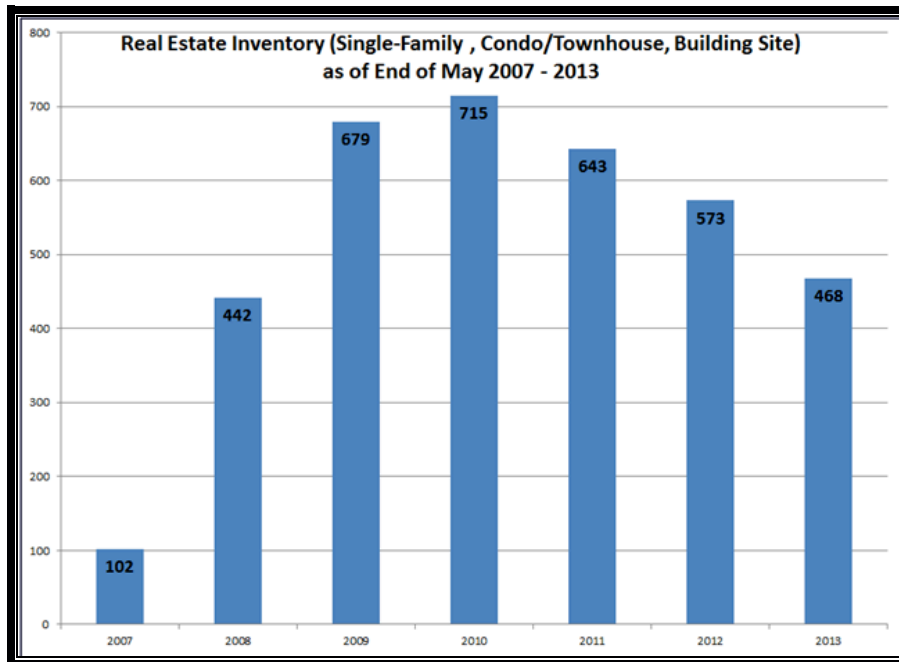
Combined Statistics for Single-Family, Attached-Home and Vacant Land - June 30 YTD Comparison										
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	% ^A 2012 - 2013
Total Number Sales	478	405	403	238	67	134	172	187	280	49.73%
Total Dollar volume	\$435,326,834.00	\$487,050,892.00	\$544,745,736.80	\$355,416,948.94	\$89,768,386.00	\$201,728,050.00	\$189,502,445.58	\$200,991,605.00	\$281,358,445.20	39.99%
Average Price	\$910,725.55	\$1,202,594.80	\$1,351,726.39	\$1,493,348.52	\$1,339,826.66	\$1,505,433.21	\$1,121,316.25	\$1,074,821.42	\$1,090,536.61	14.6%



Single-Family Residences > \$3,000,000 – Number of Sales



Decline in Inventory During Spring of 2013



Summary of Market Statistics By Property Type

Single-Family Residence Market Segment

Single-Family Home Sales - June 30 YTD Comparison										
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	%Δ 2012 - 2013
# Sales - Local Market	90	80	83	44	28	36	46	45	68	51.11%
Dollar Volume Local Market	\$54,238,111.00	\$71,775,401.00	\$76,099,453.75	\$47,855,999.00	\$23,717,000.00	\$26,611,000.00	\$32,589,229.58	\$32,070,100.00	\$48,220,207.00	50.36%
Average Price Local Market	\$602,423.46	\$897,192.51	\$916,860.89	\$1,087,636.34	\$847,035.71	\$739,194.44	\$724,205.10	\$712,668.89	\$753,440.73	5.72%
# Sales - Resort Market	61	65	65	28	14	30	35	31	55	77.42%
Dollar Volume Resort Market	\$140,584,636.00	\$141,045,460.00	\$194,203,584.00	\$85,020,000.00	\$39,492,761.00	\$93,594,700.00	\$85,441,500.00	\$61,861,500.00	\$124,051,401.00	100.53%
Average Sale Price Resort Market	\$2,304,666.16	\$2,169,930.15	\$2,987,747.45	\$3,036,428.57	\$2,820,911.50	\$3,119,823.33	\$2,512,985.29	\$1,995,532.26	\$2,481,028.02	24.33%
Total Number Sales	151	145	148	72	42	66	81	76	123	61.84%
Total Dollar Volume	\$194,802,747.00	\$212,820,861.00	\$270,303,037.75	\$132,875,999.00	\$63,209,761.00	\$120,205,700.00	\$118,030,729.58	\$93,931,600.00	\$172,271,608.00	83.40%
Average Price	\$1,290,084.42	\$1,467,730.08	\$1,826,371.88	\$1,845,499.99	\$1,504,994.31	\$1,821,298.48	\$1,494,059.87	\$1,235,942.11	\$1,511,154.46	22.27%

The single-family residence market has had an extraordinary year to date, with the total number of sales increasing by over 60% and the dollar volume of sales increasing by over 80%. Overall, the average transaction price of single-family residences was up by over 20%. Both the Local and Resort markets were contributory to this trend. In the higher-priced Resort Market, it was noted that 11 sales equal to or greater than \$3,000,000 were logged by this mid-year. These sales represented a 175% increase in the number of homes in this price segment from 2012, and contributed an additional \$67,000,000 to sales volume when measured by dollars. Dramatic growth in sales numbers for single-family homes was also seen in the Local Market, which experienced an over 50% growth in the number of sales and an approximately 50% growth in the dollar volume of sales. Notably, the aggregated numbers indicate that average sale price increased by slightly more than 6% in the local market. This average may be a realistic generalization. However, examples of a stronger “bounce back” were evident in the market.

Attached Home (Condominium / Townhouse) Market Segment

Attached Home Sales- June 30 YTD Comparison										
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	%Δ 2012 - 2013
# Sales - Local Market	121	83	74	52	6	19	29	36	65	80.56%
Dollar Volume Local Market	\$38,075,761.00	\$29,643,200.00	\$34,800,623.85	\$30,851,073.00	\$3,385,400.00	\$12,069,750.00	\$11,271,000.00	\$10,795,255.00	\$29,910,264.20	177.07%
Average Price Local Market	\$314,675.71	\$357,146.99	\$470,278.70	\$593,289.87	\$564,233.33	\$635,250.00	\$388,655.17	\$299,868.19	\$482,423.62	60.88%
# Sales - Resort Market	90	92	87	74	7	32	32	31	36	16.13%
Dollar Volume Resort Market	\$60,674,800.00	\$95,247,824.00	\$91,268,698.00	\$103,113,376.94	\$7,559,500.00	\$55,058,100.00	\$28,247,201.00	\$29,698,500.00	\$33,797,550.00	13.80%
Average Sale Price Resort Market	\$674,164.44	\$1,035,302.43	\$1,049,065.49	\$1,393,424.01	\$1,079,928.57	\$1,720,565.63	\$882,725.03	\$958,016.13	\$938,820.83	-2.00%
Total Number Sales	211	175	161	126	13	51	61	67	101	50.75%
Total Dollar Volume	\$98,750,561.00	\$124,891,024.00	\$126,069,321.85	\$133,964,449.94	\$10,944,900.00	\$67,127,850.00	\$39,518,201.00	\$40,493,755.00	\$63,707,814.20	57.33%
Average Price	\$468,012.14	\$713,662.99	\$783,039.27	\$1,063,209.92	\$841,915.38	\$1,316,232.35	\$647,839.36	\$604,384.40	\$650,079.74	7.56%

Initially one of the hardest hit by the onset of the recession, the attached home market appears to have found its footing. Comparing mid-year numbers from 2013 to that of the previous year, the number of sales in this segment is up over 50%, with sales volume having increased in excess of 57%. The primary driving force behind these numbers was the Local Market, which saw the number of sales increase by over 80% and average price increase by over 60%, with the result of these numbers being a growth in dollar volume of sales of 177%. It should be noted that while price growth was observed in this segment, an appreciation rate of 60% in price is not hypothesized to have occurred, as number of sales of mid-value townhomes in this year's data are noted to have skewed the value upward some. That being said, the following table does support the statement that values in this market segment have grown:

Property	Sale / Resale	Sale Price	Appreciation	Months	Appreciation Per month
Meadow Brook Village	February-12	\$129,905.00			
	January-13	\$130,000.00	0.07%	11	0.01%
Creekside Townhome	April-11	\$299,000.00			
	February-13	\$319,900.00	6.99%	22	0.32%
Elk Run Town House	October-12	\$347,000.00			
	February-13	\$390,000.00	12.39%	4	2.81%
Ponderosa Village Condominium	December-11	\$130,000.00			
	April-13	\$175,000.00	34.62%	15	2.24%
East Kelly Townhome	January-12	\$1,125,000.00			
	April-13	\$1,210,000.00	7.56%	15	0.50%

Additionally, the Resort Market experienced a solid first half of 2013, but has generally been in a holding pattern over the past three years, with sales numbers tracking in the low-to-mid 30's and average sales prices ranging in the low-to-mid \$600,000's. One particularly bright spot in this market segment is the condominium hotel market (such as Snake River Lodge and Spa, Hotel Terra and Teton Mountain Lodge), which experienced 14 sales this year to date, a doubling of the previous year's tally for these units.

Vacant Homesite Market Segment

Vacant Land Sales - June 30 YTD Comparison										
Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	%Δ 2012 - 2013
# Sales - Local Market	20	10	32	13	0	6	7	12	24	100.00%
Dollar Volume Local Market	\$7,436,507.00	\$4,161,250.00	\$18,356,377.20	\$15,005,500.00	\$0.00	\$2,349,500.00	\$3,969,925.00	\$4,407,500.00	\$6,855,023.00	55.53%
Average Price Local Market	\$371,825.35	\$416,125.00	\$573,636.79	\$1,154,269.23	\$0.00	\$391,583.33	\$567,132.14	\$367,291.67	\$342,751.15	-6.68%
# Sales - Resort Market	96	75	62	27	12	11	23	32	32	0.00%
Dollar Volume Resort Market	\$14,336,999.00	\$145,177,757.00	\$130,017,000.00	\$73,571,000.00	\$15,613,725.00	\$12,045,000.00	\$27,983,590.00	\$62,158,750.00	\$38,524,000.00	-38.02%
Average Sale Price Resort Market	\$1399,343.74	\$1,935,703.43	\$2,097,048.39	\$2,724,851.85	\$1,301,143.75	\$1,095,000.00	\$1,271,981.36	\$1,942,460.94	\$1,481,692.31	-23.72%
Total Number Sales	116	85	94	40	12	17	30	44	56	27.27%
Total Dollar volume	\$21,773,506.00	\$149,339,007.00	\$148,373,377.20	\$88,576,500.00	\$15,613,725.00	\$14,394,500.00	\$31,953,515.00	\$66,566,250.00	\$45,379,023.00	-31.83%
Average Price	\$1,222,185.40	\$1,756,929.49	\$1,578,440.18	\$2,214,412.50	\$1,301,143.75	\$846,735.29	\$1,101,845.34	\$1,512,869.32	\$986,500.50	-34.79%

The number of land sales for the year-to-date-2013 showed an increase in overall sales volume of over 27%. This increase was led by the strength of rebound of the local market, which saw sales numbers increase by 100%, leading to a growth in dollar volume of sales of over 55%. A slight drop in the average price was noted in the Local Market. However, this was due to an increase the number of more moderately priced lots, with observations of individual lot sales indicating that some lots snapped back as much as 30% from their values in 2011 (what is now perceived as the inflection point of the market). At first observation, it would appear that the Resort Market experienced a significant devaluation, in average price and dollar volume of sales, as these measures fell approximately 24% and 38% respectively. However, closer observation of this data indicates that the drop in the metrics for the Resort Market for the first half of 2013 are the result of a very strong first half of 2012, rather than a weak 2013. More specifically, the first half of 2012 saw six sales in excess of \$3,000,000, whereby not more than three had been seen for this time period since 2008. These high end lots sales (including one bulk purchase of three lots with prices greater than \$5,000,000 each) totaled over \$30,000,000, providing an anomalistic bump to the 2012 midyear numbers.

Mid-year Residential Summary

The Teton County Real Estate Market was noted to have stabilized in mid-2011 after a period of declining values that began in the autumn of 2008. The first half of 2013 has shown welcome signs of a recovery taking place, with strong gains in sales volume and pricing being noted. Therefore, it appears that prices are rebounding (particularly in the market's more moderately-priced segments) from their recessionary lows. With the likelihood that this price growth is at least partially due to a 'whipsaw' effect from a previous downward price overcorrection, care should be exercised before extrapolating recently noted appreciation rates over the longer term. While difficult to prove empirically, the current upward pressure in prices is hypothesized to be the result of low price points, contracting inventory, low interest rates, and preliminary indications that favorable interest rates are beginning an upward climb. The inevitability of increasing interest rates and the presumably permanent adoption of lending practices that are more conservative than existed pre-2007 may provide that the current upward value push will

be moderated to a more sustainable level of appreciation over the intermediate time horizon.

Real Estate – Commercial

Trend analysis of the Teton County commercial real estate market is hampered due to the size of the market area. That is to say that the relatively small number of commercial real estate transactions occurring create a situation where one sale can easily skew averages and median price data. Therefore, the health of the Teton County commercial real estate market is most accurately described without heavy dependence on statistical measures. That said, it was noted that the number of commercial sales in the Town of Jackson and South of Town Market areas numbered 8 sales for the first half of 2013, which is 15 less than that of the same time period in 2012 (including commercial land sales). Before jumping to the conclusion that the commercial real estate market is in contraction, it should be noted that the existing available inventory for improved commercial real estate (being sold free of related business) is equal to 18 units. This is less than one year's inventory when considering that 20 commercial properties sold in the Town of Jackson and South of Town Market areas in 2012. It is therefore, likely that a decrease in available inventory is at least partially contributory to the apparent slower start to the 2013 commercial sales year.

Observing closed commercial sales (improved sales) for the first half of 2013, overall capitalization rates were noted to remain similar to that of 2012, with capitalization rates between 5.27% and 5.98% being noted. Rental rates maintained a steady to slightly increasing trend in most instances, with office and standard retail rentals typically exhibiting rates between \$18 - \$25 per square foot on an annual basis, with pass through expenses being in addition to this.

Commercial Vacant Land is currently trading at price points most similar to 2005 – 2006 levels, which has prompted three significant commercial land sales, with an encouraging point being that two of the sold properties were purchased for construction projects (as opposed to speculation), including the construction of a Walgreens Drugstore.